

YOUNG CONAWAY STARGATT & TAYLOR, LLP

BEN T. CASTLE
 SHELDON N. SANDLER
 RICHARD A. LEVINE
 RICHARD A. ZAPPA
 FREDERICK W. IOBST
 RICHARD H. MORSE
 DAVID C. MCBRIDE
 JOSEPH M. NICHOLSON
 CRAIG A. KARSNITZ
 BARRY M. WILLOUGHBY
 JOSY W. INGERSOLL
 ANTHONY G. FLYNN
 JEROME K. GROSSMAN
 EUGENE A. DIPRINZIO
 JAMES L. PATTON, JR.
 ROBERT L. THOMAS
 WILLIAM D. JOHNSTON
 TIMOTHY J. SNYDER
 BRUCE L. SILVERSTEIN
 WILLIAM W. BOWSER
 LARRY J. TARABICOS
 RICHARD A. DILIBERTO, JR.
 MELANIE K. SHARP
 CASSANDRA F. ROBERTS
 RICHARD J.A. POPPER
 TERESA A. CHEEK
 NEILLI MULLEN WALSH

JANET Z. CHARLTON
 ROBERT S. BRADY
 JOEL A. WAITE
 BRENT C. SHAFFER
 DANIEL P. JOHNSON
 CRAIG D. GREAT
 TIMOTHY JAY HOUSEAL
 MARTIN S. LESSNER
 PAULINE K. MORGAN
 C. BARR FLINN
 NATALIE WOLF
 LISA B. GOODMAN
 JOHN W. SHAW
 JAMES P. HUGHES, JR.
 EDWIN J. HARRON
 MICHAEL R. NESTOR
 MAUREEN D. LUKE
 ROLIN P. BISSELL
 SCOTT A. HOLT
 JOHN T. DORSEY
 M. BLAKE CLEARY
 CHRISTIAN DOUGLAS WRIGHT
 DANIELLE GIBBS
 JOHN J. PASCHETTO
 NORMAN M. POWELL
 ELENA C. NORMAN

THE BRANDYWINE BUILDING
 1000 WEST STREET, 17TH FLOOR
 WILMINGTON, DELAWARE 19801
 P.O. BOX 391
 WILMINGTON, DELAWARE 19899-0391
 (302) 571-6600
 (800) 253-2234 (DE ONLY)
 FAX: (302) 571-1253

 110 WEST PINE STREET
 P.O. BOX 594
 GEORGETOWN, DELAWARE 19947
 (302) 856-3571
 (800) 255-2234 (DE ONLY)
 FAX: (302) 856-9338
 WWW.YOUNGCONAWAY.COM
 DIRECT DIAL: (302) 571-6681
 DIRECT FAX: (302) 576-3333
 msharp@ycst.com

JOSEPH M. BARRY
 SEAN M. BEACH
 SANJAY BHATNAGAR
 DONALD J. BOWMAN, JR.
 MICHELE SHERRETTA BUDICK
 JEFFREY T. CASTELLANO
 KARA HAMMOND COYLE
 KRISTEN SALVATORE DEPALMA
 MARGARET M. DIBIANCA
 MARY F. DUGAN
 ERIN EDWARDS
 KENNETH J. ENOS
 IAN S. FREDERICKS
 JAMES J. GALLAGHER
 SEAN T. GREECHER
 STEPHANIE L. HANSEN
 DAWN M. JONES
 KAREN E. KELLER
 JENNIFER M. KINKUS
 EDWARD J. KOSMOWSKI
 JOHN C. KUFFEL
 KAREN LANTZ
 TIMOTHY E. LENGEK
 SPECIAL COUNSEL
 JOHN D. MC LAUGHLIN, JR.
 KAREN L. PASCALE
 PATRICIA A. WIDDROSS

ANDREW A. LUNDGREN
 MATTHEW B. LUNN
 JOSEPH A. MALFITANO
 ADRIA B. MARTINELLI
 MICHAEL W. MCDERMOTT
 TAMMY L. MERCER
 MARIBETH L. MINELLA
 EDMON L. MORTON
 D. FON MUTTAMARA-WALKER
 JENNIFER R. NOEL
 ADAM W. POFF
 SETH J. REIDENBERG
 SARA BETH A. REVBURN
 CHERYL A. SANTANIAGO
 (NJ & PA ONLY)
 MONTÉ T. SQUIRE
 MICHAEL P. STAFFORD
 CHAD S.C. STOVER
 JOHN E. TRACEY
 TRAVIS N. TURNER
 MARGARET B. WHITEMAN
 SHARON M. ZIEG
 SENIOR COUNSEL
 CURTIS J. CROWTHER
 OF COUNSEL
 BRUCE M. STARGATT
 STUART B. YOUNG
 EDWARD B. MAXWELL, 2ND

July 20, 2007

BY E-FILE

The Honorable Joseph J. Farnan, Jr.
 United States District Court, District of Delaware
 844 North King Street
 Wilmington, DE 19801

Re: *NICE Systems, Inc. and NICE Systems, Ltd. v. Witness Systems, Inc.*
C.A. No. 06-311 (JJF)

Dear Judge Farnan:

We write to inform the Court of the status of four litigations pending between the parties in the Northern District of Georgia.

STS Software Sys. Ltd. v. Witness Sys., Inc. Civ. No. 1:04-CV-2111 (RWS)

On July 20, 2004, STS Software Systems, Ltd. (“STS”) served its initial complaint for infringement of U.S. Patent No. 6,122,665 (“the ‘665 patent”) entitled “Communication Management System for Computer Network-Based Telephones”, alleging that certain of Witness’s products infringe the ‘665 patent. On July 7, 2005, STS was granted leave to file a Supplemental Complaint asserting that Witness is infringing three newly issued patents, 6,865,604 (“the ‘604 patent”); 6,871,229 (“the ‘229 patent”); and 6,880,004 (“the ‘004 patent”), which are all related to the ‘665 patent and pertain to the identical technology -- the receiving, storing, organizing and playing back of communication sessions over a computer network. Witness has asserted counterclaims contending that each of the patents-in-suit are invalid. STS is seeking injunctive relief, but not damages.

On February 14, 2006, STS provided Witness a covenant not to sue for infringement of the ‘665 patent, and, as a result, the ‘665 patent was withdrawn from the action.

YOUNG CONAWAY STARGATT & TAYLOR, LLP

The Honorable Joseph J. Farnan, Jr.

July 20, 2007

Page 2

The parties appeared before Special Master Roderick McKelvie¹ for a Markman Hearing on July 27, 2006 and on October 10, 2006, Special Master McKelvie issued a Report and Recommendation that was adopted by the Court on January 16, 2007.

On June 26, 2007, STS filed an amended complaint adding its parent, NICE Systems Ltd. as a plaintiff to the action.

On July 18, 2007, the parties appeared before Judge Story for a scheduling conference during which Judge Story set the schedule for the case, including a trial date of “sometime on or before March 15, 2008.”

Witness Sys., Inc. v. NICE Sys., Ltd. & NICE Sys., Inc., Civ No. 1:04-CV-2531 (CAP)

Witness Systems, Inc. v. NICE Systems, Inc., 1:04-CV-2531-CAP (N.D.Ga.), was filed by Witness Systems, Inc. (“Witness”) on August 30, 2004, asserting claims of patent infringement against NICE Systems, Inc. Six months later, asserting the same patents, Witness filed a separate infringement case against NICE Systems, Ltd. as a related case. On April 1, 2005, the parties jointly filed a proposed order to consolidate the two cases, which was entered by the Court on April 5, 2005.

Witness is asserting that the “screen capture” products of NICE infringe U.S. Patent No. 5,790,798 (“the ‘798 patent”) and U.S. Patent No. 6,510,220 (“the ‘220 patent”), which are owned by Witness. Both the ‘798 and ‘220 patents are entitled “Method and Apparatus for Simultaneously Monitoring Computer User Screen and Telephone Activity From A Remote Location.” Witness is seeking both damages and injunctive relief.

On September 7, 2006, the parties appeared before Special Master Roderick McKelvie for a Markman Hearing. Special Master McKelvie’s Report and Recommendation on claim construction was issued on November 22, 2006 and the Court adopted Special Master McKelvie’s Report on January 5, 2007.

Pursuant to the local rules, fact discovery closed on February 23, 2007. Expert reports have been exchanged and expert discovery was set to close on June 28, 2007. Because of scheduling difficulties involving the damages experts and in order to ensure that all expert discovery is completed within the discovery period, NICE moved to extend discovery until October 15, 2007. Witness has opposed this motion which is presently pending before the Court.

¹ Special Master McKelvie has been appointed special master in the following actions involving the parties: *STS Software Systems, Inc. v. Witness Systems, Ltd.*, Civ. No. 1:04-02111(RWS); *Witness Sys., Inc. v. NICE Sys., Ltd. & NICE Sys., Inc.*, Civ. No. 1:04-2531 (CAP), and *Witness Sys., Inc. v. NICE Sys., Ltd. & NICE Sys., Inc.*, Civ. No. 1:06-00126 (TCB).

YOUNG CONAWAY STARGATT & TAYLOR, LLP

The Honorable Joseph J. Farnan, Jr.

July 20, 2007

Page 3

Also pending before the Court are NICE's two motions to amend its Answer and Counterclaims to assert that the patents in suit are unenforceable by reason of Witness's inequitable conduct.

Witness Sys., Inc. v. NICE Sys., Ltd. & NICE Sys., Inc. Civ No. 1:06-CV-00126 (TCB)

On January 19, 2006, Witness filed suit against NICE asserting infringement of U.S. Patent No. 6,404,857 entitled "Signal Monitoring Apparatus For Analyzing Communications." A Markman Hearing, presided over by Special Master McKelvie, was held on February 9, 2007. NICE also submitted a Motion for Summary Judgment on Patent Invalidity to Special Master McKelvie. On May 8, 2007, Special Master McKelvie submitted his Reports and Recommendations on claim construction and NICE's motion for summary judgment. NICE filed objections to the Special Master's Reports. The Court has yet to enter an Order on either issue.

NICE Sys., Ltd. & NICE Sys., Inc. v. Witness Sys., Inc., Civ. No. 1:06-CV-3122 (TCB)

On December 27, 2006, NICE filed a declaratory judgment action seeking a determination that U.S. Patent No. 6,757,361 entitled "Signal Monitoring Apparatus Analyzing Communications Content" (a patent related to the patent at issue in *Witness Sys., Inc. v NICE Sys. Ltd. & NICE Sys., Inc.*, Civ. No. 1:06-CV-00126 (TCB)) was invalid and not infringed by NICE. NICE moved to consolidate this action with the above referenced action already pending before Judge Batten, but, the Court denied NICE's motion.

Witness has not yet filed its Answer and instead filed a motion to dismiss the complaint on the ground that the court lacks subject matter jurisdiction over the claims. Witness's motion to dismiss is still pending before Judge Batten.

For the Court's convenience, copies of relevant pleadings from the Georgia litigations are submitted in a separate appendix.

Respectfully,

Melanie K. Sharp (No. 2501)

MKS

cc: Clerk of the Court (by Hand Delivery)
William J. Marsden, Jr., Esquire (by Hand Delivery)